



# PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING, MP  
INTERVIEW WITH FRAN KELLY, ABC RADIO "AM", 5 MAY 1994**

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**FK:** Prime Minister, you are about to spend billions of dollars on subsidies to employers, and yet employers say that all the time, that all they want is less business on costs. Why not spend the same billions taking some of the costs off business?

**PM:** Well, because this is about an impact on a group of disadvantaged Australians. That is, people who have been unemployed for 12 months or more, and there is 360,000 of them. And it is unfair, and it is inefficient, and we have got to re-skill them and be interested in them, and place them in work, and lift their confidence, and lift their esteem, and lift their usefulness to an employer, and when we do that we will do a lot for business. Because in this recovery, which is showing every sign of being a strong one, we won't get the compliment to skills formation from migration. It is going to come, and has to come, from the Australian labour market, from new entrants into the labour market and from this pool of unemployed people. So, in getting them re-set by intensively case managing each individual person in this category, we are going to do a lot for business.

**FK:** But the key to all this is new jobs. Business says the key to new jobs is new growth and less business on costs. Why not listen to them and just take more of that away and let business do it themselves instead of bribing them to take on people?

**PM:** Well, the answer is, we have now got the highest profit share in the nations history. That is, a proportion of national income going to profits was last this high in 1988, and before then had no historical precedent. We have given business a 33 per cent corporate tax rate, the same as Singapore, and tax rates in the region. We have given them a massive acceleration in depreciation. We have removed the double tax from dividends. You have got to say, well what else? So, what do we do, say forget 300,000 - 500,000, but forget it. You stay in a hole, feel alienated, believe society is not interested in you, particularly young people. But we will marginally improve the

profitability of business, which is already, in macro-economic terms, massively profitable.

FK: Alright, but as you say, the key imperative here is to get people skilled, is training, how can we trust business to train and train adequately when in the past they have roundly abused the Training Guarantee Levy by sending people off to junkets on desert islands, they haven't put it in to training their staff. Why trust them now?

PM: Well, there will be various forms of training, there will be accredited structure training by places in TAFE, in other training institutions as well as on-the-job training. I mean, much training that employers provide on the job is the kind of training that is very useful to them and their employees. And that is the reason that they keep them. But, one of the problems we have in this country today, in most western countries, is when I was a teenager there were jobs available for low skilled work, that work is mostly done by data processing equipment today. It is work that doesn't exist. Now, we have ten years ago, only three kids in ten completed secondary school, this year it is eight in ten. We mean it to be nine and a half in ten at the end of this decade, in six years time. But there are still kids 15 - 19 who are dropping out who are untrained, there aren't jobs for them, and what we want to do is basically - there aren't unskilled jobs for them - we want to skill them, we want to train them, both at school in years 11 and 12, as traineeships under the training award we are talking about, a training wage, and on-the-job training.

FK: But you are also investing billions of dollars in this training that is going to be coordinated and overseen by the Department of Employment, Education and Training, by the CES, both areas that have had an incredible number of problems and restructuring to try and get it right in the past. How can we trust that this billion dollars will be spend efficiently, and won't go down the drain in mistakes?

PM: Well, one of the things we are doing, which is another novel thing we are doing, is we are setting up a competitive market for the provision of case management and job placement. Now, under this proposal in 1994-95 we will be personally case managing, that is one to one case managing, 504,000 people, over half a million people. And we want to see that done by the CES and private institutions in the case management business. So, we are creating a competitive market for case management. In other words, we are saying this will no longer be a monopoly for the CES, there will be competitive providers of these services and by doing that, I believe, we will be very effective in getting the key thing, which is an accurate assessment of the state of a person's esteem, to understand their skills, their educational qualifications, the work experience they have had and to properly place them in a job.

FK: If that training works, at the end of all this, the only guarantee you are really given in the White Paper is that it will create one million job placements through it. Not one million ... jobs, not permanent jobs, that is not much of a promise is it? People want promises of real jobs.

- PM: Well, it is a huge promise. For people who have been out of work for a year, or 18 months, or two years ...
- FK: But they don't want six months job placement, do they? They want a real job.
- PM: They want firstly enough training to be able to take a job. They want the esteem which comes from knowing they could actually do a job, that people actually liked them and were satisfied with them. We have tremendous success in placing people out of labour market programs. And that placement means that you have got someone usefully and gainfully employed back in the economy. But the aggregate employment growth will come from growth in the economy. The economy is already growing at 4 per cent.
- FK: Well, what is the employment rate going to be then, at the end of this four years?
- PM: Well, we have already had 250,000 job growth in the last year.
- FK: But we have still got a million people unemployed.
- PM: What we are aiming for here is an unemployment rate, which we think is within our grasp, of 5 per cent at the end of the decade.
- FK: Is that good enough? Are you happy with that figure?
- PM: Well it is better than 10 per cent as it is now.
- FK: It is a long way from full employment though, isn't it?
- PM: Well, in western countries, I don't think you will find any country is below 5 per cent unemployment. In the United States they regard full employment as 6.5 per cent. Now, I would like to think we can get to five and do better. But at least this is a huge attempt, a novel attempt to deal with the long term unemployed and to get them down based on real economic growth. I mean we are exporting our heads off, we are growing faster than any other western economy, I think, bar New Zealand. But New Zealand has lost so much growth in the '80s, it is not to be compared with Australia. And we have got low inflation, high profit share, massive innovation in manufacturing, tremendous sophistication in services, all we need to do is to train the people to take the places and the natural growth in the economy will pick the great body of people up.
- FK: It is a novel attempt, but isn't it when it comes down to it just really putting an awful lot of faith in the job compact working? How can you really promise all your critics who say they are just going to be shuffling the long term unemployed queue.
- PM: But it is more than that. We are also changing the social security system. At the moment there is a 100 per cent withdrawal rate on

unemployment benefits. That is, every dollar you earn you lose a dollar off the unemployment benefit rate. We are changing that to 70 per cent. We are going from joint testing of a couple to individual income testing, we are paying the unemployment benefit individually to a husband and a wife or partner. And by changing the taper to 70 per cent it means that many of them will take part time work, which they now can't do. And if they take part time work, again, they get more family income, their self esteem, their contribution to society grows. So, it is not just a job compact, there is a whole sophistication of changes here, there is a radical restructuring of the social security system where for the first time we are paying benefits individually, and income testing people individually. And as some people, may well by now know, there is also the option of women who are at home, or the spouse at home with young children, to take the parenting allowance, which will mean that the parenting allowance is paid directly to the spouse who is looking after children, mainly the mother, directly to her bank account, and it is not diminished by what the husband or partner earns, as is the case now. So, this is a very large change which will actually encourage people to go out and take part time work, and there is a lot of part time work in the Australian economy today.

FK: How are you going to pay for all this? Is it going to come out of the growth dividend, is that where the money is coming from?

PM: Well, what we are saying is this will cost \$1.7 billion in a full year, and \$6 billion over the next four years. That is about point 3 of a per cent of GDP per year, and we say very clearly in the Statement that the marginally higher financing cost of that addition to the Budget deficit, or that, if you like, change in the Budget deficit, that would otherwise be that much lower, is not to be compared with the macro-economic benefit of having, meeting, skill shortages in a recovery, training people from a large pool of unemployed resources, getting a more responsive social security system, case managing every young person under 18 years of age who is out of work, training them - the macro-economic effect of that is not to be compared with a Budget deficit being \$1.7 billion lower.

FK: But you still have to pay for that.

PM: Look, people say well you will end up with a marginally lower interest rate effect. Here we have got the financial markets, long bonds are now over 8.5 per cent, the inflation rate is two. You have got a real rate on the long end of 7.5 per cent. The average real rate of interest in the last 50 years was between 4 - 4.5 per cent, or 3.5 - 4.5 per cent. I mean, the notion that the Government should basically forget, the better part of half a million people say, "tough luck, you're unemployed, you have taken the brunt of the load and if you are alienated, too bad for you".

FK: No one wants to forget them.

PM: The implied question is ...

FK: How is it going to be paid for?

PM: The answer is, in an economy that the Government has said in the Statement today I said we will still bring the Budget deficit down to 1 per cent of GDP, around 1996-97. That is the Government's commitment and we are doing this within that commitment.

FK: So, will this come out of the growth dividend?

PM: As the economy grows it will produce revenue, more employment, less unemployment benefits, and the Budget deficit will improve. This is coming where it should come, it should come from the nation's purse, for the nation's people, the nation's disadvantaged people.

FK: Does that mean more taxes then, in the nations purse?

PM: No, it simply means that the nation is facing up to its responsibilities to a category of individuals who have carried the burden of economic change.

FK: Finally, Prime Minister, on another matter, National Party MP, Bob Cater, asked Michael Lavarch in question time yesterday whether Graham Richardson was the Labor politician referred to in the Australian newspaper in relation to a sex scandal. What is your reaction to that accusation?

PM: The then Senator Richardson had a similar low brow accusation levelled at him a decade or so ago, about some love boat in Sydney Harbour, there wasn't a grain of truth in it. And to have this coward getting up under privilege, he wouldn't say it at the front door of Parliament House, but always these characters get up under the privilege which is extended to Members of Parliament for serious issues to sort of attack somebody. I wasn't in the House, I was still preparing the Statement, and I came in later to deliver it after question time. But, I mean, every Parliament seems to pick up a number of low quality individuals.

FK: Prime Minister, thank you.

PM: Pleasure.

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